HIGHWAYS REVOLVING FUND

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Highways Revolving Fund as at March 31, 2005 and the statements of operations and accumulated operating surplus/deficit and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
July 15, 2005

HIGHWAYS REVOLVING FUND
BALANCE SHEET
As At March 31

	2005	2004
ASSETS		
Current:		
Accounts receivable	$ -	$ 4,766,170
Inventories	-	2,315,815
	$ -	$ 7,081,985
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	$ -	$ 2,873,244
Unearned Revenue	-	85,975
	-	2,959,219
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	-	3,703,920
	-	3,703,920
Fund equity:		
Accumulated operating surplus (Statement 2)	-	418,846
	$ -	$ 7,081,985

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	2005 Actual	2004 Actual
Revenue:		
Equipment Rental	$ -	$ 23,280,745
Custom Work and Other	-	5,715,222
Store Sales & Labour	-	2,215,999
Total revenue	-	31,211,966
Expenses:		
Repair	-	5,784,442
Operating	-	6,417,068
Amortization	-	5,002,466
Custom Work	-	5,733,843
Store Sales & Labour	-	2,214,414
Direct Overheads	-	3,703,466
Direct expenses	-	28,855,699
Gross margin	-	2,356,267
General Overheads	-	1,546,377
Net income (loss) from operations	-	809,890
Loss on sale of equipment	-	(340,812)
Net income (loss)	-	469,078
Accumulated operating (deficit) surplus, beginning of year	418,846	(50,232)
Transfer accumulated surplus to General Revenue Fund (Note 1)	(418,846)	-
Accumulated operating surplus end of year - to Statement 1	$ -	$ 418,846

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2005	2004
Financing required for (provided by) operating activities:		
Net (income) loss	$ -	$ (469,078)
Items not affecting cash		
- amortization	-	(5,002,466)
- loss on sale of equipment	-	(340,812)
Net change in working capital items related to operations (Note 4)	(4,122,766)	810,141
	(4,122,766)	(5,002,215)
Financing required for (provided by) investing activities:		
Purchase of equipment	-	7,748,014
Proceeds from sale of equipment	-	(491,312)
	-	7,256,702
Financing required for financing activities:		
Paydown in obligation under the capital lease	-	825,694
Net (decrease) increase in financing requirements	(4,122,766)	3,080,181
Accumulated net expenditure, beginning of year	3,703,920	55,207,031
Transfer of capital assets to the General Revenue Fund (Note 1)	-	(54,583,292)
Transfer of accumulated surplus to General Revenue Fund (Note 1)	418,846	-
Accumulated net expenditure, end of year - to Statement 1	$ -	$ 3,703,920

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

1. Authority and Definition of Reporting Entity

The authority for this Revolving Fund is continued under Section 7 of *The Department of Highways and Transportation Act, 1997.* The purpose of the Revolving Fund is to provide a system of accounting that accumulates the costs of equipment, materials and labour used in the provision of construction and maintenance services. These costs are charged back to the Department and other parties on an equitable basis.

In January 2004, Treasury Board approved the transfer of the Revolving Fund's capital assets to the Department.

Effective April 1, 2004, the Department discontinued the use of the Revolving Fund. All remaining assets, liabilities and the accumulated surplus were transferred to the Department. All activities and capital acquisitions are now undertaken through the Department's appropriation. In addition, all custom work is now reported in the Department's appropriation in accordance with Section 13.1 of *The Financial Administration Act, 1993.*

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 4. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/ (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

i) working capital advanced by the Minister of Finance as at March 31, 1982 to the Revolving Fund;

ii) the net increase/(decrease) in financing requirements for each fiscal year thereafter; and

iii) the book value of assets acquired at no charge from another government agency.

3. Authorized Financing

Subsection 7(6) of *The Department of Highways and Transportation Act, 1997* specifies that the maximum amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of $65,000,000 was established in February 2002.

4. Net Change in Working Capital Items Related to Operations

	2005	2004
(Decrease) increase in accounts receivable	$ (4,766,170)	$ 1,782,847
Decrease in inventories	(2,315,815)	(163,654)
Decrease (Increase) in accounts payable	2,873,244	(735,237)
Decrease (Increase) in unearned revenue	85,975	(73,815)
	$(4,122,766)	$ 810,141